From:	ehud barak <ehbarak1@gmail.com>
To:	Tesis Yakov <Y.Tesis@renova-group.ru>
CC:	
Date:	Thu, 1/30/2014 11:00:18 PM
Subject:	Re: Leviathan 70BCM

Dear Yakov
I was extremely busy these days and Mr. Tshuva was sick, so sorry for the delay.
No way to to get a Teshuva (response, answer- in Hebrew) from Mr. Teshuva. He is running frenzy to deal with all aspects of this Leviathan. As I've mentioned he goes now to Australia to conclude with Woodside, hired Goldman Sachs to help him selling Delek Europe(800million €) in order to focus on building new Development and Trading Co. In London. While we are speaking , beyond Edison, an Billionaire IL player Benny Steinmetz (see Wikipedia) is in contact with Mr. Tshuva people re the 70 (96) BCM deal.
.I will try to preliminary answer the questions acc to my knowledge.
1. The cost of the infrastructure and pipe lines from Tamar(260BCM, near Leviathan) to Ashkelon/Ashdod area was about $ 1.5B. Took 3.5yrs with many delays due to absence of experience and attempts to get Gov. approval for shorter pipe to the Hadera region.
At this stage I see no way to use the SAME pipe system: 1) there is a Gov demand to avoid the whole market being dependent on a single pipe. 2) the last (older) part of the pipe near Ashdod can not take more than 9BCM pa, and at peak demand days is already limiting the supply.
The solution for this challenge is going to be compressors stations to enlarge the pressure and capacity of the pipeline as well as "close" storing of Tamar gas in the YamThetis (now close to empty) reservoir site.
The inability to use the same pipeline system will be reflected in the Pricing Negotiation and will pressure Mr. Tshuva downward.

2. Drilling might cost around 100-150 million dollars. Dependent on availability of equipment and of other drillings available at the time for the provider.
3. Preliminary contract with PL .5BCM (small). Preliminary contacts(not yet contracts) with Jordan re 2-3BCM. Mr. Tshuva met recently with a group of major potential customers in Turkey where he wishes to sell 7-10 BCM pa(the Turkish market is roughly 40-50BCM). No agreement yet, no contracts yet. When a pipeline is being planned to Turkey, Cheyhan, there will be an attempt to join hands with TAP/TANAP to get limited access to Europe as well. Woodside,if the deal is concluded expected to built a medium size LNG (in Cyprus) or a Floating Small LNG Plant near the Leviathan at sea. LNG will take several years more than a pipeline to Turkey.
3a. The Independent Player of the 70-96 BCM is supposed to compete in the IL mkt alone. Export and re-export only through Swap Like deals.This could be changed somewhat later if effective pressure is created by the Player and as a result of mistakes being made by Tshuva's Consortium.
4. Prices are set through market mechanisms. Gov. intervenes through regulators only in case of a clear acting cartel or monopoly.
Govt saw no competition in the long term contracts of ECI (electricity supplier) and prices well beyond similar markets (around 30% higher). In fact ,the regulator ,Prof. David Gilo recently said he intends to make sure these long term contracts will be revisited/considered by him when the New Player will be ready. I'm not sure that it is a valid option.
5. No need for any special steps beyond the establishment of high pressure and medium/low pressure nationwide distribution system, which is already operational for high pressure(big customers) and being built for the rest. The imposing factor is Price.Natural Gas costs about one third of traditional fossil fuel. And of course Competition between at least two providers. We expect a climb from 7-8 BCM to 14-16 BCM of domestic demand in about 5-7 yrs.
6. Security will remain basically a responsibility of Gov. Which takes by now 50+% of output value as royalties.

To summarize the subject , I think we have to make up our mind. If there is a serious interest lets check it seriously. If not - let's leave it.
In the mean time
All the best
Ehud Barak

Sent from my iPad

On 24 בינו 2014, at 10:50, Tesis Yakov <Y.Tesis@renova-group.ru> wrote:

Good morning, Mr.Barak.

Please, find below several questions, regarding with the 70bcm theme. Will be very effective if Mr.Tshuva (his staff) would prepare the answers.

Regards

1. What is the length, capacity and investment cost of already built pipelines from Delek offshore deposits to Ashkelon? How possible will be to reach an agreement to co-share the existing pipelines, what would be indicative proposed terms to satisfy Antimonopoly Authority?
2. What is the estimated cost of the drilling platform? There is a trend of escalating capex for both onshore and offshore drilling – please comment.
3. What are export (reexport) alternatives besides sales to domestic Israeli market? At what stage are negotiations with Jordan, Palestina, Cyprus, Turkey, Woodside re marketing of Israeli offshore gas? What are the chances that Investor will get an approval from Antimonopoly Authority to export/reexport this gas?
4. Please describe the price regulation/negotiation mechanism in Israel gas market and why the Government was not comfortable with the pricing achieved between Delek consortium and utility monopolist?
5. What is being specifically done by Israeli Government to expand the use of natural gas in the country twofold? What price is the Government/Utility comfortable with? How heavily is domestic price of the gas regulated compared to oil/diesel/gasoline?
6. How ant-terrorist security of the pipelines will be provided by Israeli government and its estimated cost?

From: ehud barak [mailto:ehbarak1@gmail.com]
Sent: Wednesday, January 22, 2014 1:41 PM
To: Tesis Yakov
Subject: Re: Leviathan 70BCM

Yakov Hi
Teshuva called me again today. Latest news are that the regulator ordered that the 70 + (26.6) BCM transfer will be executed through a sale of two smaller gas fields Karish (50BCM) and Tanin (20 BCM) where the extra 26.6BCM will be also potentially available. Meaning the full ownership of these smaller fields will be sold by Teshuva's Consortium to the new Independent Player.The two fields are close to Tamar and Leviathan. Both had been discovered in the last two years following Leviathan.
Teshuva re-iterated to me that he will have to sell it cheap and that whatever price will be agreed upon will be paid over 10-12yrs. On the other hand I assume the need to develop the pipe system to the shore will be costly , about 120 -180km. Unless some agreed arrangements might allow joint use of pipelines(?).
Most of this information has been published in the economic media. The news increased the speculation re Edison(Italy) interest.
Best
EB
Sent from my iPad

On 22 2014 בינו, at 11:00, Tesis Yakov <Y.Tesis@renova-group.ru> wrote:

Well noted. Thank you

From: ehud barak [mailto:ehbarak1@gmail.com]
Sent: Tuesday, January 21, 2014 9:13 PM
To: Tesis Yakov
Subject: Re: Leviathan 70BCM

Yakov Hi

I understand the point. Too early to pull the plug on it. I've described what Mr. Teshuva confided to me. He is an interested, not objective player. And I think that everything is still negotiable.

This morning .Tue Jan 21 , the regulator Prof. David Gilo, re-iterated publicly his determination to
impose fully independent competition. He talks now of 70 BCM + high probability reserves of another 26.6BCM. Together over 95BCM.

I think I read him correctly that he intends to IMPOSE upon the Leviathan Consortium a real sale of ownership of those 70/96.6 BCM as an independent(smaller than Leviathan) gas field to the Independent Player. Namely Mr. Teshuva and his partners will have ownership of just 470BCM or 26.6 less than this figure rather than 540BCM.

The regulator also made it clear that he will impose competition not just in re to NEW contracts but also in regard to any renewal of present long term contract. He even hinted that the Independent Player will be able to export as long as he doesn't hurt the overall volume of gas marketed in the domestic IL market (through SWAP deals for example).

The Knesset finance committee will have a hearing on the issue next week.
There are rumors that Edison of Italy is already trying to enter this game. (Edison owns minority share in very small gas operations in IL.

Pl update Viktor. The story starts to move forward and we will learn more down the stream. But don't forget ,Mr. Teshuva's character will create an edge to those who set face to face with him earlier.

Let me know if it makes sense that I'll keep following and update you re this potential deal.
Best
EB

Sent from my iPad

On 21 2014 בינו, at 15:32, Tesis Yakov <Y.Tesis@renova-group.ru> wrote:

> Dear Mr. Barak,
>
> Just to talked with VV.
> Renova is not interesting to invest in to this project due to its risky position and as it does not provide the investor with the right of the gas-reserve ownership. Having the right of selling 70bmc as well as the obligation to drill and to build the pipe line make no sense for Renova to accept the offer.
> We also do not believe that such an offer could be accepted by somebody in connection with above written and briefly explained point of view.
> At once should there be an offer to purchase the reserves of the gaz at this region, we could have a look at it.
>
> Best regards.
>
> -----Original Message-----
> From: ehud barak [mailto:ehbarak1@gmail.com]
> Sent: Friday, January 17, 2014 12:33 PM
> To: Tesis Yakov
> Subject: Re: Touch Base
>
> Hope to send in 6hrs. EB
>
> Sent from my iPhone
>
> On Jan 17, 2014, at 9:52, Tesis Yakov <Y.Tesis@renova-group.ru> wrote:

Waiting for your short memo and e-links or the main names of the subjects, who are going to be participators of the project.

Yours

-----Original Message-----

From: ehud barak [mailto:ehbarak1@gmail.com]

Sent: Thursday, January 16, 2014 9:39 PM

To: Tesis Yakov

Subject: Touch Base

Yakov Hi

Interesting development. Pl call.

EB

Sent from my iPhone

<Leviathan Proposal.docx>